

**Testimony of
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EASTERN CONNECTICUT HEALTH NETWORK (ECHN)**

Submitted to the
Human Services Committee
March 15, 2011 – Public Hearing

SB 1013: An Act Implementing the Governor's
Budget Recommendations Concerning Human Services
Please Oppose Hospital User Tax & Changes to Medicaid Program

As President and CEO of Eastern Connecticut Health Network (ECHN) – which includes Manchester Memorial Hospital and Rockville General Hospital – and as Secretary of the Connecticut Hospital Association's Executive Committee, I am writing to express our strong opposition to Senate Bill 1013: An Act Implementing the Governor's Budget Recommendations Concerning Human Services.

Most concerning are Governor Malloy's proposals to impose a burdensome 5.5 percent tax on hospitals and make a number of damaging reductions and changes to the Medicaid program. These proposals, coupled with the Governor's plan to eliminate \$83.275 million in existing Disproportionate Share Hospital (DSH) payments to hospitals, will jeopardize our ability to deliver the level of healthcare the residents of Connecticut expect from their local hospital.

If this budget passes with a hospital provider tax and the elimination of millions in uncompensated care funding, Manchester Memorial Hospital and Rockville General Hospital collectively would lose \$1.05 million in FY 2011 and more than \$4.2 million in FY 2012.

It would be a devastating hit that would nearly erase ECHN's entire operating margin, which only ranges from 1.5 percent to 2 percent. In fact, our recent and current financial condition has only allowed us to reinvest about 3 percent of our budgets in capital reinvestments and upgrades each year. Our hospitals cannot afford to do more with less.

The Governor's reasoning behind imposing the hospital provider tax is flawed – in terms of utilizing the federal matching funds and the federal funding formula - because no hospital will receive back what it paid in taxes and the federal funding match will be used to balance the state budget rather than making hospitals whole and supporting the healthcare needs of Connecticut's residents.

ECHN employs over 2,500 people, making us one of the largest employers in Manchester and the Tolland County area. We are a key driver in our state's economy, last year paying out \$131 million in salaries and nearly \$80 million in goods and services.

However, at a time when "jobs" are a top priority, a burdensome tax increase sends the wrong message to Connecticut hospitals and our hardworking employees. The Governor's budget plan could put 60 to 75 jobs at ECHN at risk.

The tax would also come at a time when our pension obligations are rising by \$3.5 million this year and another \$4 million next year and when our bad debt and charity care grew by 36% over last year totaling \$21.2 million.

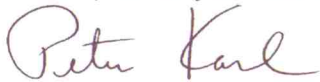
I recognize the monumental task the Human Services Committee, your colleagues in the legislature, and Governor Malloy face to solve this unprecedented budget deficit.

We have also made some very difficult decisions in recent weeks to address our healthcare system's financial challenges. We implemented a hiring freeze, delayed merit pay increases, and called for stricter oversight of overtime and other costs. We are conducting a thorough review of all current projects underway at ECHN and anticipate making many more tough choices in the months ahead.

This is why imposing a 5.5 percent hospital provider tax and cutting hospital funding would only worsen the situation for Connecticut's non-for-profit community hospitals. When it comes to ECHN, it would affect our ability to provide high-quality, compassionate healthcare to the residents of eastern Connecticut who depend on us for around-the-clock care.

For these reasons, I urge you to oppose SB 1013.

Thank you for your consideration.



Peter J. Karl
President & CEO
Eastern Connecticut Health Network (ECHN)